

Individual State Agency Fiscal Note

Bill Number: 6087 2S SB	Title: Insulin cost-sharing	Agency: 160-Office of Insurance Commissioner
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
Account					
Insurance Commissioners Regulatory Account-State 138-1	0	46,406	46,406	38,616	0
Total \$	0	46,406	46,406	38,616	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/07/2020
Agency Preparation: Jane Beyer	Phone: 360-725-7043	Date: 02/12/2020
Agency Approval: Bryon Welch	Phone: 360-725-7037	Date: 02/12/2020
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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1 requires a health plan issued or renewed on or after January 1, 2021 to cap copayments, deductibles, or other forms of cost sharing for insulin at an amount not to exceed \$100 per 30 day supply. Beginning January 1, 2022, for every \$100.00 increase in the cost of an insulin product, taking into account rebates and other price concessions, the health plan may submit a request to the Office of Insurance Commissioner (OIC) to raise the cost sharing amount for a 30 day supply by \$5.00. The bill also allows for a conditional exemption for high deductible health plans in the event the IRS guidance on preventive care changes. This section expires January 1, 2023.

Section 2 applies the requirement of section 1 to disability carriers issuing individual health plans.

Section 3 applies the requirement section 1 to disability carriers issuing group health plans.

Section 4 applies the requirement of section 1 to Health Care Service Contractor's issuing health plans.

Section 5 applies the requirement of section 1 to Health Maintenance Organization's issuing health plans.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Sections 1 through 5 require a health plan issued or renewed on or after January 1, 2021 to cap copayments, deductibles, or other forms of cost sharing for insulin at an amount not to exceed \$100 per 30 day supply. Section 1 expires on January 2, 2023; therefore its application is limited to health plans issued in plan year 2021 and plan year 2022. The new cost share requirement for insulin will require the addition of a single new review standard for health plan form and binder filings. The Office of Insurance Commissioner (OIC) receives approximately 470 such filings each year and we assume approximately 30 minutes per filing to review for the new cost share requirement. In FY2021, one-time costs of 8 hours of a Functional Program Analyst 3 to update filing review standards, update checklist documents, and train staff. For FY2021 and FY2022, costs of 30 minutes of review time per health plan filing, or a total of 235 hours (30 minutes per filing x 470 filings) of a Functional Program Analyst 3 will be required.

The new cost share requirement for insulin will require actuarial review to ensure that the rate and rate impacts are reasonable and consistent with the requirement. This review of an estimated 13 individual health plan carriers and 12 small group health plan carriers will require 25 hours (1 hour per rate filing) of an Actuary 3 in FY2021 and FY 2022.

Additionally, for plan year 2022, OIC will be responding to requests from carriers to adjust their insulin cost-sharing when insulin prices increase. Carriers will be able to file a request with the OIC to raise the cost-sharing by \$5 per month if the price of an insulin drug increases by \$100 in a year. Recognizing that many

health plans utilize the same Pharmacy Benefit Manager (PBM) through contracts with carriers, we are assuming that OIC will receive 54 requests for cost-sharing increases, i.e. one request per each of the 54 PBM's operating in Washington State. This is a conservative assumption given the numerous formulations and delivery systems for insulin. Review of each price increase request and process endorsements will require 4 hours per request. In FY2021, one-time costs of 18 hours of a WMS3 to develop review standards for documentation to support cost-sharing increase requests and train staff; and in FY2022 costs of 216 hours of a Functional Program Analyst 4 (4 hours x 54 requests) will be required.

Section 1 establishes explicit cost-sharing limitations related to coverage of insulin. WAC 284-43-5110 relates to cost-sharing for prescription drugs and WAC 284-43-5642 relates to essential health benefits. In addition, the new provision in the substitute that allows carriers to request an increase in insulin cost-sharing likely will require rulemaking. Since not all insulin products have the same price, and each issuer's rebate and price concessions are different, rulemaking likely will be needed to provide guidance how issuers can raise the cost sharing amount for a 30 day supply by \$5.00.

This would be a 'simple' rulemaking in FY2021.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
138-1	Insurance Commissioners Regulatory Account	State	0	46,406	46,406	38,616	0
Total \$			0	46,406	46,406	38,616	0

III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years					
A-Salaries and Wages		27,507	27,507	22,734	
B-Employee Benefits		9,618	9,618	8,159	
C-Professional Service Contracts					
E-Goods and Other Services		9,281	9,281	7,723	
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	46,406	46,406	38,616	0

III. C - Operating FTE Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 1 establishes explicit cost-sharing limitations related to coverage of insulin. WAC 284-43-5110 relates to cost-sharing for prescription drugs and WAC 284-43-5642 relates to essential health benefits. In addition, the new provision in the substitute that allows carriers to request an increase in insulin cost-sharing likely will require rulemaking. Since not all insulin products have the same price, and each issuer's rebate and price concessions are different, rulemaking likely will be needed to provide guidance how issuers can raise the cost sharing amount for a 30 day supply by \$5.00. This would be a 'simple' rulemaking in FY2021.